

STATE OF LOUISIANA

DEPARTMENT OF ENVIRONMENTAL QUALITY

IN THE MATTER OF:

PETROHAWK OPERATING COMPANY

AI # 18771

PROCEEDINGS UNDER THE LOUISIANA
ENVIRONMENTAL QUALITY ACT
LA. R.S. 30:2001, ET SEQ.

* Settlement Tracking No.
* SA-AE-07-0048
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* Enforcement Tracking No.
* AE-PP-07-0080
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SETTLEMENT

The following Settlement is hereby agreed to between Petrohawk Operating Company ("Respondent") and the Department of Environmental Quality ("DEQ" or "the Department"), under authority granted by the Louisiana Environmental Quality Act, La. R.S. 30:2001, et seq. ("the Act").

I

Respondent is a corporation who operates ^{an} oil and gas production facility located 16 miles northwest of Morgan City in St. Martin Parish, Louisiana ("the Facility").

II

On September 10, 2007, the Department issued a Notice of Potential Penalty (NOPP), Enforcement Action No. AE-PP-07-0080, to Respondent, which was based upon the following findings of fact:

On March 15, 2007, a file review of West Lake Verret Field Production Facility, owned and/or operated by Petrohawk Operating Company (Respondent), was performed to determine the

degree of compliance with the Louisiana Environmental Quality Act (the Act) and the Air Quality Regulations. The facility is located 16 miles northwest of Morgan City in St. Martin Parish, Louisiana.

On July 5, 2006, the Department issued a Notice of Potential Penalty (NOPP), Enforcement Tracking No. AE-PP-06-0083, to Mission Resources, Inc. for a violation of Air Quality Regulations. On July 24, 2006, the Department received a response to the NOPP, Enforcement Tracking No. AE-PP-06-0083, from Petrohawk Operating Company (Petrohawk) on behalf of Mission Resources.

According to the change of owner/operator form, it was determined that Petrohawk Operating Company owned and operated the facility during the course of the violation. Furthermore, the change of ownership took place on June 2, 2005, before the compliance test for Cat G3516 LE (EP 128) which was conducted on July 6, 2005.

The following violation was noted during the course of the file review:

On July 6, 2005, the Respondent conducted a compliance test on the Caterpillar G3516 LE, Emission Point 128. On August 10, 2005, the Department received the results of the compliance test. On February 15, 2006, the Department sent a review letter to the facility, which summarized the results of the stack test. According to the letter, the test procedures and calculations were found to be acceptable, but the maximum permit limit for NO_x was exceeded. The test resulted in a NO_x maximum pound per hour (lb/hr) emission rate of 2.89 lb/hr. The emission rate is an exceedance of the permitted limit of 2.442 lb/hr. This is a violation of General Condition II of Permit No. 2620-00029-01, LAC 33:III.501.C.4, and Sections 2057(A)(1) and 2057(A)(2) of the Act.

III

Respondent denies it committed any violations or that it is liable for any fines, forfeitures and/or penalties.

IV

Nonetheless, Respondent, without making any admission of liability under state or federal statute or regulation, agrees to pay, and the Department agrees to accept, a payment in the amount of ONE THOUSAND AND NO/100 DOLLARS (\$1,000.00), of which Two Hundred Fifty-Nine and 45/100 Dollars (\$259.45) represents DEQ's enforcement costs, in settlement of the claims set forth in this agreement. The total amount of money expended by Respondent on cash payments to DEQ as described above, shall be considered a civil penalty for tax purposes, as required by La. R.S. 30:2050.7(E)(1).

V

Respondent further agrees that the Department may consider the inspection report(s), the Notice of Potential Penalty and this Settlement for the purpose of determining compliance history in connection with any future enforcement or permitting action by the Department against Respondent, and in any such action Respondent shall be estopped from objecting to the above-referenced documents being considered as proving the violations alleged herein for the sole purpose of determining Respondent's compliance history.

VI

This agreement shall be considered a final order of the secretary for all purposes, including, but not limited to, enforcement under La. R.S. 30:2025(G)(2), and Respondent hereby waives any right to administrative or judicial review of the terms of this agreement, except such review as may be required for interpretation of this agreement in any action by the Department to enforce this agreement.

VII

This settlement is being made in the interest of settling the state's claims and avoiding for both parties the expense and effort involved in litigation or an adjudicatory hearing. In agreeing to the compromise and settlement, the Department considered the factors for issuing civil penalties set forth in LSA- R. S. 30:2025(E) of the Act.

VIII

The Respondent has caused a public notice advertisement to be placed in the official journal of the parish governing authority in St. Martin Parish, Louisiana. The advertisement, in form, wording, and size approved by the Department, announced the availability of this settlement for public view and comment and the opportunity for a public hearing. Respondent has submitted a proof-of-publication affidavit to the Department and, as of the date this Settlement is executed on behalf of the Department, more than forty-five (45) days have elapsed since publication of the notice.

IX

Payment is to be made within ten (10) days from notice of the Secretary's signature. If payment is not received within that time, this Agreement is voidable at the option of the Department. Payments are to be made by check, payable to the Department of Environmental Quality, and mailed or delivered to the attention of Accountant Administrator, Financial Services Division, Department of Environmental Quality Post Office Box 4303, Baton Rouge, Louisiana, 70821-4303. Each payment shall be accompanied by a completed Settlement Payment Form (Exhibit A).

X

In consideration of the above, any claims for penalties are hereby compromised and settled in accordance with the terms of this Settlement.

XI

Each undersigned representative of the parties certifies that he or she is fully authorized to execute this Settlement Agreement on behalf of his/her respective party, and to legally bind such party to its terms and conditions.

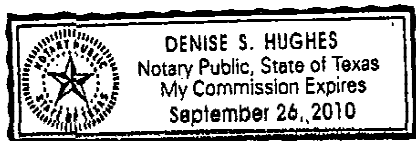
PETROHAWK OPERATING COMPANY

BY: [Signature]
(Signature)

David Elkouri
(Print)

TITLE: Executive Vice President, General Counsel & Secretary

THUS DONE AND SIGNED in duplicate original before me this 13th day of December, 20 07, at Petrohawk Operating Co.



Denise S. Hughes
NOTARY PUBLIC (ID# _____)

Denise S. Hughes
(Print)

LOUISIANA DEPARTMENT OF ENVIRONMENTAL QUALITY

Harold Leggett, Ph.D., Secretary

BY: [Signature]
Peggy M. Hatch, Assistant Secretary
Office of Environmental Compliance

THUS DONE AND SIGNED in duplicate original before me this 17th day of March, 20 08, at Baton Rouge, Louisiana.

[Signature]
NOTARY PUBLIC (ID # 40539)
Jed R. Boyle, Jr.
(Print)

Approved: [Signature]
Harold Leggett, Ph.D., Assistant Secretary